



STATE OF GEORGIA  
GOVERNOR'S OFFICE OF WORKFORCE DEVELOPMENT  
ATLANTA 30334-0900

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**Purpose:** This Technical Assistance Guide has been developed to assist managers in making informed decisions about Subrecipient Financial monitoring to ensure the proper use of federal funds authorized under the Workforce Investment Act of 1998.

**Intended Audience:** Local Workforce Investment Board (LWIB) members, Local Workforce Investment Area (LWIA) Executive Directors and Finance Directors.

**Introduction:** Federal guidelines require that all recipients of federal funds authorized under the Workforce Investment Act be subject to financial monitoring to ensure that adequate financial controls are in place. LWIAs may elect to contract out certain functions due to determinations of cost-effectiveness, staffing inadequacies or lack of technical abilities. When certain criteria is met, the contracted party is considered a subrecipient and must comply with the same federal and state laws, rules and regulations that the LWIA is subject to. Just as an LWIA must undergo yearly monitoring by the Governor's Office of Workforce Development (GOWD), the LWIA must perform monitoring for its subrecipients.

## CFR

29 CFR § 97.40

"Monitoring and reporting program performance.

(a) Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

## Subrecipient vs. Vendor Determination

Guidance on identifying a subrecipient and a vendor can be found by reviewing the USDOL TAG, Appendix E:

## SUBRECIPIENTS

A subrecipient is a legal entity to which a subaward of Federal funds is made and that is accountable to the recipient for the use of the funds provided. When the organization performs the following activities, a Federal award to a subrecipient is indicated:

- Determines eligibility for the Federally funded program
- Has its performance measured against the objectives of the Federal program
- Has responsibility for programmatic decision-making
- Has responsibility for adherence to applicable Federal program compliance requirements (for example, the regulations)
- Uses the Federal funds to carry out a program of the organization as opposed to providing goods or services for a program.

## VENDORS

A vendor is a dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a Federal program. The following activities are indicative of a vendor relationship with an organization:

- Provides the goods and services within normal business operations
- Provides similar goods or services to many different purchasers
- Operates in a competitive environment
- Provides goods or services that are ancillary to the operation of the Federal program
- Is not subject to the Federal compliance requirements of the program.

In making the determinations of subrecipients and vendors, states, direct grantees, Local Workforce Investment Boards (LWIBs), and other subgrantees should take into account all of the characteristics related to the type of provider. When deciding whether a vendor or subrecipient relationship exists, it is the relationship that matters, not the label on the award document, be it grant, contract, subgrant, or subcontract. No one factor should be taken in isolation; all the applicable criteria for each decision should be reviewed.<sup>1</sup>

### **Guiding principles:**

- All incurred expenses must be supported by adequate documentation. (Conference or meeting agendas, invoices, hotel bills, receipts, etc.) See 2 CFR Part 225 Appendix A.

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<sup>1</sup> [http://www.doleta.gov/grants/pdf/TAG\\_PartII\\_July2011.pdf](http://www.doleta.gov/grants/pdf/TAG_PartII_July2011.pdf)

- The Governor's Office of Workforce Development and the LWIA fiscal recipient are custodians of federal funds, which must be safeguarded and used only for legitimate business purposes.
- Use of this Technical Assistance Guide (TAG) should not replace adequate and careful study of USDOL's TAG or the Code of Federal Regulations/OMB Circulars.

Broad areas to cover while conducting financial monitoring:

### **Financial Management**

LWIA should gain an understanding of the subrecipient's financial management systems and processes.

### **Internal Controls**

LWIA should inquire with management and become familiar with the subrecipient's internal control environment. Are controls in place to prevent fraud and waste? Are there weaknesses that could be exploited?

### **Cash Management and Revenue Recognition**

How does the subrecipient handle their cash flow? Are bank statements reconciled and reviewed by management?

### **Prepaid Program Items**

Prepaid program items (bus passes, gift/gas cards, etc.) should be recognized as assets that have a monetary value and should be safeguarded. How are they distributed? Who has custody of them? Is a proper inventory kept, and are the items used promptly?

### **Salary and Cost Allocation**

The subrecipient should have a cost allocation plan that establishes a methodology to distribute costs fairly across funding streams. Costs that cannot be allocated directly should be placed in an indirect cost pool. Cost allocation statistics should also be maintained to demonstrate how costs were computed month to month. Timesheets should also be maintained and prepared after the fact to demonstrate how time is charged to each grant. The amount of time charged to each grant cannot be based on the subrecipient's budget but must be a record of actual time charged. Salaries and

bonuses paid for with WIA funds must not exceed the USDOL ETA salary and bonus cap (\$179,700).<sup>2</sup>

## **Disbursements**

Disbursements of WIA funds should be necessary, reasonable, directly or indirectly allocable to one or more grants and adequately documented. Disbursements should not exceed the period of availability for the grant, should be allocated correctly and documentation should support the cost. When determining the reasonability of a disbursement, take into account this guidance from the Code of Federal Regulations:

2 CFR Part 225 Appendix A:

“Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

## **Purchasing**

If the subrecipient engages in procurement-level purchasing, they must follow their own policies and procedures, promote open and free competition when going through the bidding process, and must be adequately documented.

## **Contracting**

All contracts paid for in full or in part with WIA funds must have all required provisions and must be properly managed.

## **Subrecipient Monitoring**

If the LWIA's subrecipient has a subrecipient, monitoring activities must be completed and documented for all subsequent subrecipients.

## **References:**

Electronic Code of Federal Regulations

[www.ecfr.gov](http://www.ecfr.gov)

USDOL One Stop Comprehensive Financial Management Technical Assistance Guide  
Part 2

[http://www.doleta.gov/grants/pdf/TAG\\_PartII\\_July2011.pdf](http://www.doleta.gov/grants/pdf/TAG_PartII_July2011.pdf)

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<sup>2</sup> <http://wdr.doleta.gov/directives/attach/TEGL/TEGL26-10ACC.pdf>

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